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LCTCS FACILITIES CORPORATION

Audit of Financial Statements

Inception (October 1, 2009), to December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/7/10

Contents

Independent Auditor's Report	1 - 2
-------------------------------------	--------------

Basic Financial Statements

Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15
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Schedule of Findings and Responses	16
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Independent Auditor's Report

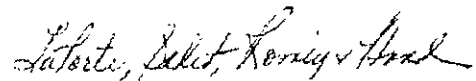
To the Board of Directors
LCTCS Facilities Corporation

We have audited the accompanying statement of financial position of LCTCS Facilities Corporation (the Corporation) as of December 31, 2009, and the related statement of activities, and cash flows for the period from inception (October 1, 2009), to December 31, 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCTCS Facilities Corporation as of December 31, 2009, and the changes in its net assets and its cash flows for the period from inception (October 1, 2009), to December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2010, on our consideration of LCTCS Facilities Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.



A Professional Accounting Corporation

June 28, 2010

LCTCS FACILITIES CORPORATION
Statement of Financial Position
December 31, 2009

Assets

Current Assets

Cash and Cash Equivalents - Administrative Fund \$ 1,375,086

Total Current Assets 1,375,086

Non-Current Assets

Cash - Restricted for Debt Service 1,538

Cash - Restricted for Capital Purchases 2,141,499

Investments - Restricted for Capital Purchases 59,954,194

Land 3,347,857

Total Non-Current Assets 65,445,088

Other Assets

Bond Financing Costs, Net 1,526,224

Land Purchase Option 33,775

Total Other Assets 1,559,999

Total Assets \$ 68,380,173

Liabilities and Net Assets

Current Liabilities

Accounts Payable \$ 180,785

Contracts Payable 324,501

Interest Payable 729,209

Total Current Liabilities 1,234,495

Long-Term Liabilities

Bonds Payable 67,066,442

Total Long-Term Liabilities 67,066,442

Total Liabilities 68,300,937

Net Assets

Unrestricted 79,236

Total Liabilities and Net Assets \$ 68,380,173

The accompanying notes are an integral part of these financial statements.

LCTCS FACILITIES CORPORATION**Statement of Activities****For the Period from Inception (October 1, 2009), to December 31, 2009**

Unrestricted Revenues	
Facilities Lease Rental Revenue	<u>\$ 2,000,000</u>
Total Unrestricted Revenues	<u>2,000,000</u>
Expenses	
Program Services	
Professional Fees	926,156
Interest Expense	729,209
Legal Fees	95,613
Amortization	46,453
Supporting Services	
Professional Fees	42,695
Legal Fees	65,868
Meeting Expense	<u>1,357</u>
Total Expenses	<u>1,907,351</u>
Other Income (Loss)	
Interest Income	1,123
Realized Loss on Investments	(56)
Unrealized Loss on Investments	<u>(14,480)</u>
Total Other Income (Loss)	<u>(13,413)</u>
Change in Net Assets	79,236
Net Assets, Beginning of Period	<u>-</u>
Net Assets, End of Period	<u><u>\$ 79,236</u></u>

The accompanying notes are an integral part of these financial statements.

LCTCS FACILITIES CORPORATION**Statement of Cash Flows****For the Period from Inception (October 1, 2009), to December 31, 2009**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 79,236
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Amortization	46,453
Unrealized Loss on Investments	14,536
Increase in Liabilities	
Accounts Payable	180,785
Contracts Payable	324,501
Interest Payable	729,209
Net Cash Provided by Operating Activities	1,374,720
Cash Flows from Investing Activities	
Change in Cash Restricted for Debt Service	(1,538)
Change in Cash Restricted for Capital Purchases	(2,141,499)
Purchases of Investments	(59,968,730)
Bond Financing Costs	(1,572,677)
Payment of Land Purchase Option	(33,775)
Purchase of Land	(3,347,857)
Net Cash Used in Investing Activities	(67,066,076)
Cash Flows from Financing Activities	
Proceeds from Issuance of Bonds Payable	67,066,442
Net Cash Provided by Financing Activities	67,066,442
Net Increase in Cash	1,375,086
Cash and Cash Equivalents, Beginning of Period	-
Cash and Cash Equivalents, End of Period	\$ 1,375,086
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	\$ -

The accompanying notes are an integral part of these financial statements.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Organization

LCTCS Facilities Corporation (the Corporation) is a private, Louisiana non-profit corporation established in 2007 for the primary purpose of financing and constructing land and facilities for the Louisiana Community and Technical College System. Operations began October 1, 2009 upon receipt of bond proceeds described below.

The Corporation participated in a bond issuance by borrowing money from the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer), who issued \$19,290,000 in revenue bonds (Series 2009A) and \$45,280,000 in revenue bonds (Series 2009B) which will be payable solely from the revenues of the Corporation. The revenue bonds are issued pursuant to a Trust Indenture dated October 1, 2009, between the Issuer and the Bond Trustee. Louisiana Act 391 identifies the uses of the proceeds of the bonds as the purchase, acquisition, construction, design, development, renovation and equipping of land and facilities for the benefit of fourteen community and technical college campuses of the Louisiana Community and Technical College System and a statewide computer information system for the Board of Supervisors of the Louisiana Community and Technical College System (the Board).

Governmental Accounting Standards Board (GASB) No. 14, *The Financial Reporting Entity* requires inclusion of the Corporations financial statements in the Louisiana Community and Technical College System's (the Board) financial statements.

Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded as incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Corporation uses various trust accounts created pursuant to trust indentures of the related bonds. The trust accounts, which are administered by the trustee bank, provide for the custody of assets, debt service payments and bond redemption requirements, and payment of administrative expenses.

Basis of Presentation

The financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2009, there were no temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

In accordance with the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification, the Corporation's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets.

All investments held by the Corporation are restricted for debt service and construction costs. Under the terms of the various bond indentures or similar documents, various funds such as Project, Capitalized Interest, Debt Service and Administrative must be established and maintained. The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Bond Premiums

Premiums resulting from the purchase of revenue bonds are amortized over the lives of the bonds under the effective interest method.

Bond Financing Costs, Net

Costs incurred with obtaining financing have been capitalized and are being amortized using the straight line method over the life of the bond financing arrangement. The Corporation's capitalized financing costs consisted of the following at December 1, 2009:

Bond Financing Costs	\$ 1,572,677
Accumulated Amortization	<u>(46,453)</u>
Total	<u>\$ 1,526,224</u>

Amortization expense related to this asset for the period from inception (October 1, 2009), to December 31, 2009, was \$46,453.

Land

Purchased property is carried at cost. The breakdown of land by project as of December 31, 2009 is as follows:

L.E. Fletcher Technical Community College, Houma	\$ 3,337,422
Florida Parishes Campus, Greensburg	<u>10,435</u>
Total	<u>\$ 3,347,857</u>

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law.

Fair Values of Financial Instruments

The Corporation has adopted the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Functional Allocation of Expenses

The costs of providing the Corporation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 2. Investments

Investments consist of the following at December 31, 2009:

	Cost	Market
Discount Notes	\$ 59,968,674	\$ 59,954,194
Total	\$ 59,968,674	\$ 59,954,194

Note 3. Land Purchase Option

The Corporation purchased land totaling \$3,347,857 during 2009. In connection with one of the land purchases, the Corporation entered into a land purchase option agreement and agreed to pay a non-refundable sum of \$135,100, in four equal annual installments, for the option to purchase a new plot of land at a specific price. During 2009, the Corporation made the first installment of \$33,775. The remaining payments in association with the purchase option are as follows:

December 31,	Amount
2010	\$ 33,775
2011	33,775
2012	<u>33,775</u>
Total	\$ <u>101,325</u>

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 4. Bonds Payable

Bonds payable is composed of the following at December 31, 2009:

Revenue Bonds

Series 2009A

The Bank of New York Mellon Trust Company, N.A. Dated October 1, 2009; bearing interest at 4.00% per annum; interest only payments due semi-annually on March 1 and October 1; principal and interest due in six semi-annual installments commencing in 2013; maturing October 1, 2015.

\$19,290,000

Series 2009B

The Bank of New York Mellon Trust Company, N.A. Dated October 1, 2009; bearing interest ranging from 4.25% to 5.00% per annum; interest only payments due semi-annually on March 1 and October 1; principal and interest due in six semi-annual installments commencing in 2027; maturing October 1, 2029.

45,280,000

Plus: Bond Premiums

2,496,442

Total Bonds Payable

67,066,442

Less: Current Portion

-

Bonds Payable, Long-Term Portion

\$67,066,442

The schedule of future maturities of bonds payable as of December 31, 2009, is as follows:

Series 2009A		Series 2009B	
2013	\$ 6,195,000	2027	\$14,355,000
2014	6,450,000	2028	15,090,000
2015	<u>6,645,000</u>	2029	<u>15,835,000</u>
Total	<u>\$19,290,000</u>	Total	<u>\$45,280,000</u>

Interest expense and interest payable totaled \$729,209 for the period from inception (October 1, 2009), to December 31, 2009.

In connection with the issuance of the revenue bonds listed above, the Corporation recorded bond premiums totaling \$2,496,442. These premiums will be amortized over the lives of the bonds under the effective interest method, beginning with the first interest payment due March 1, 2010.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 5. Fair Value of Financial Instruments

The valuation of the Corporation's investments by the fair value hierarchy listed in Note 1 at December 31, 2009 is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Discount Notes	\$ 59,954,194	\$ -	\$ 59,954,194	\$ -
Total	\$ 59,954,194	\$ -	\$ 59,954,194	\$ -

Note 6. Lease Agreements

Facilities Lease

The Corporation entered into an agreement to lease the facilities to the Louisiana Community and Technical College System. The future minimum lease payments to be received as base rental payments are scheduled to be sufficient to pay the debt service requirements on the bonds as disclosed in Note 4. The term of the lease will run contemporaneously with the bonds.

The lease includes purchase options under which the Board may elect to purchase the leased facilities for an amount equal to the outstanding principal and interest due on the bonds plus any prepayment penalties and any other costs or charges which may become due as a result of the prepayment.

Ground Lease

The Corporation entered into an agreement effective October 1, 2009 to lease the land on which the facilities will be constructed from the Board. The lease term expires on October 1, 2038. The rent shall be due and paid annually in advance in the sum of \$1 per year.

Note 7. Commitments

The Corporation entered into a contract with a consulting firm to create and establish the program. The contract stipulates that the Corporation will pay a start-up fee to the firm in the form of 60 monthly installments of \$5,693 beginning on November 1, 2009. As of December 31, 2009, \$324,501 is payable to the firm and is recorded as Contracts Payable on the statement of financial position.

The Corporation has entered into a contract with the above mentioned consulting firm to perform administration duties over the life of the program. The fee for monthly services shall be \$28,463 payable on the first day of each month. In addition, the Corporation will pay a variable fee for each of the bond transactions as they occur over the life of the program. The fee associated with phase one of the program is 36 equal payments of \$3,163 beginning November 1, 2009.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 7. Commitments (Continued)

The Corporation has entered into a contract with an engineering firm to serve as the program manager for the project. The compensation for services is a fixed fee of \$6,641,861 paid in 60 equal installments, first payment due November 1, 2009.

Note 8. Concentrations of Risk

The Corporation received 100% of its Facilities Lease Rental Revenue from the Board of Supervisors of the Louisiana Community and Technical College System.

The Corporation periodically maintains cash in bank accounts in excess of insured limits. The Corporation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 9. Uncertain Tax Positions

On January 1, 2009, the Corporation adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic had no impact on the statement of financial position or statement of activities.

The Corporation's 2007 and 2008 tax returns were filed appropriately. As of June 28, 2010, the Corporation had not filed their 2009 tax return or an extension as of the May 15th deadline. The potential penalties are estimated at approximately \$4,500 to \$5,000 which has not been recorded as of December 31, 2009. The Corporation is currently in process of filing the return and is planning to seek an abatement of the penalties. The Corporation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Corporation's tax filings are subject to audit by various taxing authorities. The Corporation's open audit periods are 2007 through 2008. Management evaluated the Corporation's tax position and concluded that the Corporation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 10. Related Parties

During 2009, the Chairman of the Corporation was also the Chairman of the Board of Supervisors of the Louisiana Community and Technical College System (the Board). Effective July 1, 2010, the Chairman of the Corporation will no longer serve as Chairman of the Board, but will remain a board member of the Corporation.

One law firm is serving as both counsel to the Board and the Corporation. In the event of a dispute between the Board and the Corporation, this law firm may face a conflict of interest and may need to resign from representing the Board and/or the Corporation.

LCTCS FACILITIES CORPORATION

Notes to Financial Statements

Note 10. Related Parties (Continued)

The Financial Advisor serving the Corporation in connection with the issuance of the bonds, and the Program Administrator serving in connection with the implementation of the project, including matters relating to the investment and expenditure of the bond proceeds, are related and affiliated companies under common control and ownership.

Note 11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2010, and determined that, except as discussed in Note 10, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
LCTCS Facilities Corporation

We have audited the financial statements of the LCTCS Facilities Corporation as of December 31, 2009 and for the period from inception (October 1, 2009), to December 31, 2009, and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered LCTCS Facilities Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCTCS Facilities Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LCTCS Facilities Corporation's internal control over financial reporting.

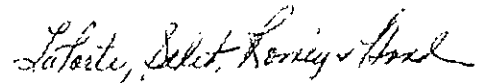
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCTCS Facilities Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the board of directors, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

June 28, 2010

LCTCS Facilities Corporation

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Reports

Financial Statements

- | | | |
|----|--|-------------|
| 1. | Type of auditors' report | Unqualified |
| 2. | Internal control over financial reporting | |
| a. | Material weaknesses identified | None |
| b. | Significant deficiencies identified not considered to be material weaknesses | None |
| c. | Noncompliance material to the financial statements noted | None |

Federal Awards - Not applicable

Section II - Financial Statement Findings

No matters are reported.